

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
FINAL MINUTES
November 19, 2004**

The meeting was convened at 10:05 AM in room 5N30 of the GAO Building, 441 G St., NW, Washington, DC.

ADMINISTRATIVE MATTERS

- **Attendance**

Present: Ms. Comes, Ms. George, Ms. Krell, Messrs. Campbell, Allan Lund (for Sturgill), McFadden, Moraglio, Taylor, and Steven Zane (for Dingbaum).

Absent: Messrs. James, Maharay, Sturgill, and Dingbaum

- **Minutes**

The minutes of July 29, 2004 were previously approved as final, having been circulated by E-mail to members.

- **AAPC Membership Changes**

Ms. Comes, AAPC Chair and FASAB Executive Director, introduced and welcomed two new members to the Committee. She introduced Cindy George as the new OMB representative to the AAPC. James Campbell is the new CFOC representative to the Committee. Mr. Campbell is the Department of Energy's Deputy CFO and will be completing the term of De Ritchie who has retired from Federal service.

- **Project Agenda Status**

Appropriated Debt

Ms. Comes gave a brief update of the exposure draft responses from the WAPA/BOR ED before the discussion began. She noted that the Committee has received copies of all of the comment letters, a summary of the letters, a staff analysis, and a draft technical release for their consideration. Ms. Comes noted that staff has received suggested edits to the draft TR from both GAO and OMB. Ms. Comes opened the floor up to the full committee for any additional edits or comments on the draft. She also mentioned that she would like to poll the Committee on its recommendation of the TR to FASAB for final approval and release.

Mr. Taylor stated that he had no editorial comments, however he had other concerns. He first expressed his concerns with the current makeup of the FASAB – specifically the lack of Federal practitioner presence on the Board. Mr. Taylor further noted his agreement with Interior's position that the transfer of funds between WAPA and BOR is merely a funding mechanism created by Congress and not a creditor/debtor relationship between the two parties. He also

noted that the TR was another example of efforts to try to force the unique nature of Federal accounting into an academician/private sector accounting conceptual framework. He was concerned that the guidance in the TR was also going to open up a whole host of new issues that will require further guidance.

Ms. Comes addressed Mr. Taylor's concerns about the makeup of the current Board by reminding Mr. Taylor that the standards that are being used as the basis of the TR were created at a time when the makeup of the Board consisted of six Federal members and three non-Federal members and therefore pre-dated the current Board makeup. Ms. Comes further stated that all FASAB products rest on its due process that includes the enlistment of full participation from the Federal community. She noted that the responses received for the ED included a well-rounded range of members in the accounting community, however full participation is needed. Ms. Comes emphasized that through due process the quality of the standards and the conceptual framework is raised. She also pointed out the current Board is fully committed to the due process. For example, public hearings have been held for most of the ED's issued over the last couple of years.

Mr. Taylor responded by noting that the current Board lacks the hands-on implementation experience that a practitioner has. Mr. Taylor stated that he was concerned that this issue was opening up a host of other issues that would start the Committee on a "slippery slope".

Mr. Moraglio asked why Interior is opposed to setting up a receivable for the transfer. Mr. Taylor stated that he could not speak on behalf of Interior, however he does believe that the AAPC and the FASAB should continue to recognize the differences and uniqueness of Federal accounting and not measure the activities of the Federal government in the same light as the private sector. Mr. Moraglio stated that he looked into the core of the issue and determined that it was a financing activity that amounted to a liability to Energy/WAPA.

Mr. McFadden stated that he views the proposed accounting as a means to provide information to the financial statement readers. The readers of Interior's statements will see that the BOR is receiving a return on its investment of funds to WAPA.

Ms. Krell noted that it is important to know how much is actually owed by Energy/WAPA to Interior/BOR as well as the mechanism to track those funds. She also recommended that the TR better address the limited scope of the guidance and clearly state that the other costs involved in the WAPA/BOR activities are not addressed in this guidance. Ms. George mentioned that recent discussions within OMB (i.e., the Financial Reporting and Grants Branch and the Budget Concepts Branch) have determined that there are examples (similar to Energy/WAPA) in which Congress appropriates funds but specifies that some or all of the appropriation is in the form of fees. In other words, Congress appropriates a specific amount, and then states that the amount of the appropriation is reduced by the amount of fees deposited in the expenditure account as offsetting collections. The Budget Concepts Branch could not recall any cases where language was used similar to 43 U.S.C. § 392a and § 485h (c) in which Congress requires repayment with interest.

Ms. Comes polled the Committee on the approval of the TR for release to the FASAB. The voting by block was as follows:

	CENTRAL AGENCY / AT-LARGE MEMBERS	CFO MEMBERS	PCIE (IG) MEMBERS
Campbell		Abstained	
Zane (for Dingbaum)			Yes**
George	Yes		
James		Absent (Yes**)	
Krell	Yes		
Maharay			Abstained/Absent
McFadden			Yes
Moraglio	Yes		
Lund (for Sturgill)	Yes**		
Taylor		No	

Mr. Campbell and Mr. Maharay are both Energy representatives and chose to abstain from the voting of this issue since Energy is involved in the issue.

**Subsequent to the meeting Mr. Dingbaum, Mr. James, and Mr. Sturgill voted for the TR by email notification.

Ms. Comes noted that edits from both GAO and OMB would affect the BOC. Staff will work with GAO and OMB on those edits and the full Committee will have a chance to review the revised document and vote on its release to the FASAB. Mr. Moraglio asked if the GAO opinion should be added as an appendix to the document. Mr. Jacobson, FASAB Counsel, suggested adding a link to the paper that would take interested readers directly to the opinion on the GAO website.

Inter-Entity Cost

Ms. Comes briefed the Committee on the current status of the FASAB project. She mentioned that the FASAB is holding a public hearing on the issue on December 16, 2004 from 9am – 12 noon. She also mentioned that the press release includes a staff proposed plan of the implementation process, specifically addressing the areas of “broad and general” and “materiality”. The draft plan includes AAPC involvement in the area of addressing specific cases posed by Federal entities. Mr. Taylor stressed the importance of getting good guidance out early to avoid several smaller case-by-case issues.

- **Agenda Committee Report**

None

- **New Business**

There were no new items raised.

- **Next Meeting**

The next meeting will be scheduled.

Adjournment

The meeting was adjourned at 10:35 AM.